

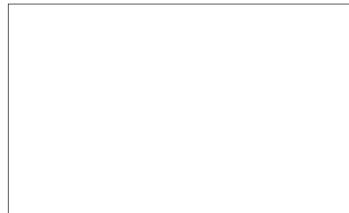
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State Dept. review completed

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National Intelligence Daily Cable for Tuesday, April 12, 1977.

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The NID Cable is for the purpose of informing senior US officials.

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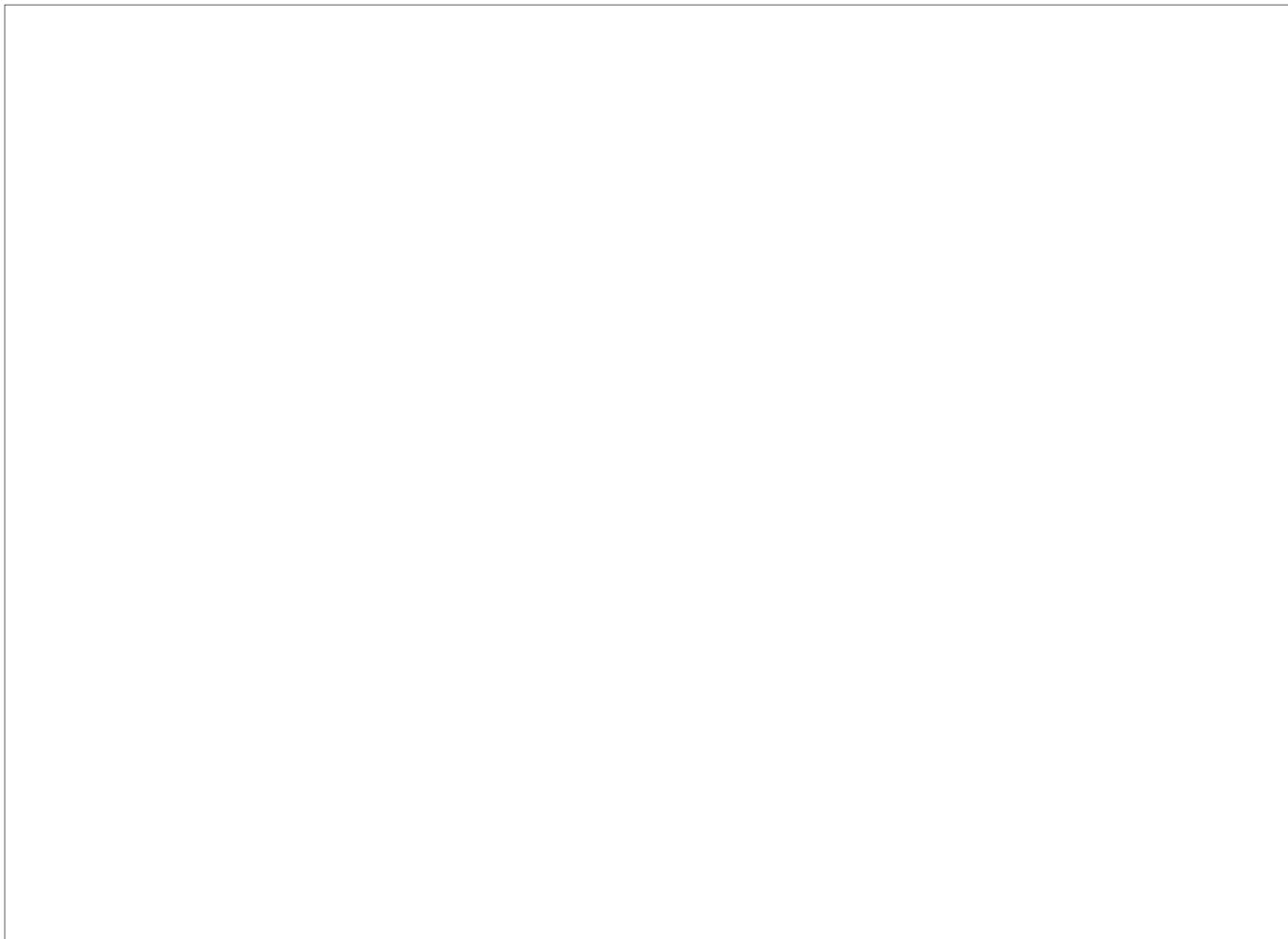
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PAKISTAN: Demonstrations

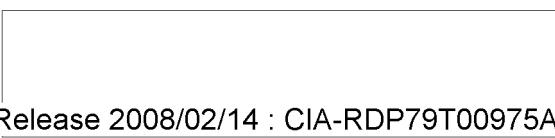
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The success of the Pakistani opposition's demonstrations last weekend could be a turning point in the campaign to bring down Prime Minister Bhutto. The US embassy notes that Bhutto still has considerable resources, but that he might soon have to call on the army to maintain order. Many observers believe that if it comes to this, the generals will eventually decide that the best way to restore order is to remove him.

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The opposition's campaign protesting the rigging of the National Assembly election on March 7 was quickly successful in some areas--notably in the southern cities of Karachi

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and Hyderabad, which were placed under military control because of violent demonstrations. Until last weekend, however, the campaign had failed to create significant disorders in the Punjab, the most populous province and the key to Bhutto's fate. Some opposition leaders were talking about seeking a compromise along lines suggested by the Prime Minister.

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[redacted] On Saturday, the opposition was able to stage demonstrations in almost every Punjabi city of any importance protesting the opening of the provincial assembly. In Lahore, the provincial capital, there were more deaths and other violence than at any time during the campaign that forced president Ayub Khan to step down in 1969. The army had to assist the police in Multan.

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[redacted] There were demonstrations Sunday and yesterday in many cities in honor of those killed on Saturday, and the opposition has called on the people to stop paying taxes. In the cities in the Sind, which have been relatively quiet recently, the opposition is becoming more active.

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[redacted] Labor and students, two groups whose participation could add greatly to the campaign to oust Bhutto, have not been involved so far, but there are some signs that both groups are becoming active. Some labor organizations may have participated in the demonstrations in Lahore on Saturday, and students have organized a general strike in Karachi and plan to demonstrate in Peshawar.

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[redacted] The embassy believes that Bhutto has been weakened and may no longer be able to offer further concessions, since the opposition would see these as an admission of weakness. The opposition has been given new confidence, and it is unlikely that the campaign will die out, despite the arrest of opposition leaders and Bhutto's control of the security forces and much of the media.

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USSR-US: Fishing Violations

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[redacted] The USSR appears to be genuinely concerned with the problem of Soviet ships fishing illegally off the US coast. Before the US Coast Guard seized the two Soviet fishing vessels last weekend, an official in the Soviet Fishing Ministry

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told a US embassy officer in Moscow that he agreed with the US that the time is past for leniency due to unfamiliarity with the US regulations.

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[redacted] The Soviet official said his government would make every effort to prevent incidents and would take strong measures against Soviet ships and captains that violate the US regulations.

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[redacted] Before last weekend, 39 violations of the US 200-nautical mile fishing zone had been reported by the US Coast Guard, including 21 by the Soviets, for which civil penalty actions have been initiated. Three of the recent Soviet violations off the New England coast involved the retention of prohibited species of fish and fishing outside of authorized areas.

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[redacted] In the past, the Soviets have warned that boats receiving violations would be withdrawn from US waters. One boat already has been sent home. [redacted]

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LEBANON: Situation Report

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[redacted] Palestinian-leftist forces in Lebanon are apparently intent on capturing Marj Uyun before any cease-fire takes effect.

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[redacted] As of late yesterday, the Palestinians had the town nearly surrounded, and some of the Christian defenders were reported to be withdrawing. Fighting in other areas in southern Lebanon was said to be limited to artillery and mortar exchanges between the two sides.

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[redacted] The US embassy in Beirut reported yesterday that both the Syrians and the right-wing Christian leadership had indicated their readiness to agree to a cease-fire in place. Syrian President Asad, however, apparently regards Israeli support for Christian efforts to secure the entire southern border area as being responsible for the latest round of fighting. Consequently, he probably would not be unhappy to see the Christians lose Marj Uyun and may not attempt to limit Palestinian-leftist movements until the Christians have been forced out of the town. [redacted]

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ZAIRE: Situation Report

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There does not appear to have been much change in the military situation in Shaba over the past few days. Scattered fighting that began late last week is continuing; the Katangans may have advanced slightly.

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The Zairian government appears to be showing concern about the possibility of trouble outside Shaba Region near Lake Tanganyika.

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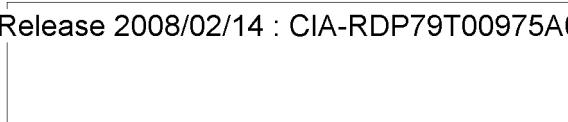
South Africa has publicly denied press reports that it is aiding the Zairians. A high-level South African security official who visited Kinshasa earlier this month said that Pretoria would not send troops or military supplies to Zaire, since that would hurt rather than help President Mobutu. He said his government would continue to extend commercial credits and make fuel available to Zaire.

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ETHIOPIA: Unrest

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Recent successes by insurgents in Ethiopia do not appear to pose an immediate threat to the ruling military council.

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Most of the insurgent groups--including the Eritreans, who have taken several government posts recently--seek separation from Ethiopia rather than the overthrow of the present government. The military council's inability to deal effectively with such groups could ultimately lead disgruntled lower ranking officers to install a new government, but the US embassy in Addis Ababa sees no evidence that they have the will, cohesion, or leadership to act against the council at this time.

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Two of the insurgent groups are trying to overthrow the council. Marxist urban guerrillas of the Ethiopian Peoples Revolutionary Party can cause trouble in Addis Ababa, but they are too weak to oust the government by themselves.

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The Ethiopian Democratic Union--which wants a moderate, pro-Western government--has taken two important posts on the Sudanese border, and the embassy believes it could become stronger with Arab help. To overthrow the council, however, it eventually would have to gain the support of a substantial part of the military.

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POLAND: Trade and Payments Difficulties

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//Poland posted a record trade deficit of \$3.3 billion with developed countries in the West last year, despite a slight recovery in exports and efforts to curb import growth. With a rapidly rising hard-currency debt--\$10.2 billion at the end of 1976--Warsaw found it increasingly difficult to arrange for Western loans to cover its trade deficit and debt service last year. Poland is likely to incur a trade deficit of \$2.5 billion to \$3 billion in 1977, thus intensifying its payments problems and possibly forcing the Poles to seek debt refinancing. The need to deal with persistent consumer dissatisfaction at home makes it more difficult for Warsaw to cope with its debt problem.//



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[redacted] Poland needed \$5 billion in 1976 to cover its current-account deficit and debt service. It drew at least \$2 billion in government-backed export credits and almost \$200 million in US Commodity Credit Corporation credits. It also received \$300 million in West German payments to the Polish pension fund and concessionary credits, and may have used most of a \$200-million Iranian credit extended in 1975.

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[redacted] The remaining financing probably was met through increased borrowing from commercial banks. As of September, Poland's net liabilities to Western commercial banks had increased by \$1 billion to \$4.4 billion.

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[redacted] //Despite its apparent success in obtaining funds in 1976, Poland appeared to be under a great deal of financial pressure. Several attempts to secure additional financing were unsuccessful

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[redacted] Increasing repayments and difficulties in raising funds will force Poland to curb imports from the West even further in 1977. The economic plan for this year calls for a total import growth of less than 3 percent. Imports from Communist countries are scheduled to rise by 10 percent, indicating that the regime plans to reduce imports from the West. Polish officials have, in fact, expressed optimism about holding hard-currency imports at or below the 1976 level.

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[redacted] Although Poland is likely to find it difficult to cut imports from the West in 1977, the task is not impossible. A 16-percent increase in planned Soviet oil deliveries to 256,000 barrels per day should enable Warsaw to limit its purchases of Western oil. Western grain imports can be cut substantially if there is at least an average grain harvest along with deliveries of at least 1 million tons of Soviet grain. Imports of Western plants and equipment will be slowed drastically by the postponement or cancellation of almost \$1.7 billion in such purchases.

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[redacted] If the Western economies continue to recover, Polish hard-currency exports should accelerate this year, rising perhaps by 15 to 20 percent, to as much as \$4 billion. Long-term

contracts already have assured Poland markets this year for its major exports of coal, copper, sulfur, and ships. Earnings from raw material exports, however, will depend on world prices for these commodities.

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Depending on the weather, however, Poland may have to hold back on coal exports, as it did last year to counteract consumer complaints about shortages. For the same reason, meat and live animal exports will remain depressed as Poland tries to cope with domestic dissatisfaction with persistent meat shortages. If for any reason Poland is forced to increase imports of consumer goods, its trade balance and payments position will be further exacerbated.

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Poland will have a trade deficit with the developed West of \$2.5 billion to \$3 billion even under favorable circumstances--zero import growth, a good harvest, and a 15- to 20-percent growth in exports. We expect that the Poles will need \$4 billion to \$4.5 billion in financing this year, to cover the country's deficit and mounting debt repayments.

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Poland can still tap part of a \$1.3-billion French credit line extended earlier this year, most of a 1976 Canadian credit worth \$500 million, and \$300 million in West German credits and pension payments. Overall, Warsaw can probably count on at least \$2.5 billion from Western government and government-backed credits. The remainder will have to be sought mainly from Western banks. Despite growing apprehensions, Western lenders probably will continue to provide Poland with funds for major projects--albeit stiffer terms.

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//In the longer term, Poland cannot keep cutting hard-currency imports without disrupting its economic plans. Warsaw will try to get additional financing any way it can, possibly even by seeking admission to the International Monetary Fund. Debt refinancing is also an option, particularly if domestic economic problems worsen substantially.//

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CHILE: F-5 Problems

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//Problems with the F-5 fighter aircraft acquired from the US during the past year are seriously affecting the

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Chilean air force's already limited combat capabilities. The problems further tilt the Andean military balance in favor of Peru.//

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[redacted] //The US defense attache in Santiago reports that the aircraft have faulty afterburner liners and that this problem, along with a scarcity of spare parts, has forced the air force to halt all air combat training and curtail other normal training activities. Only six of Chile's 18 F-5s are operational, and three of these six are being kept flying through cannibalization of other F-5s.//

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[redacted] //Unless the afterburner problem is solved quickly, Chile will have little air defense capability and will be forced to rely on its 30 obsolescent British Hawker Hunter aircraft. The UK imposed an embargo on delivery of aircraft engines to Chile some time ago, and many of the Hawker Hunters may not be operational.//

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[redacted] //Peru will soon receive 36 Soviet SU-22 fighter-bombers, which will pose a greater threat to the Chileans if their F-5 fleet continues to deteriorate. [redacted]

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